

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

Downriver Mutual Aid

**Financial Report
with Supplemental Information
September 30, 2007**

Downriver Mutual Aid

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Independent Auditor's Report

To the Board of Directors
Downriver Mutual Aid

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Downriver Mutual Aid as of and for the year ended September 30, 2007, which collectively comprise Downriver Mutual Aid's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Downriver Mutual Aid's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Downriver Mutual Aid as of September 30, 2007 and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Downriver Mutual Aid's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Board of Directors
Downriver Mutual Aid

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2008 on our consideration of Downriver Mutual Aid's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

January 23, 2008

Downriver Mutual Aid

Management's Discussion and Analysis

Our discussion and analysis of Downriver Mutual Aid's (DMAid) financial performance provides an overview of DMAid's financial activities for the fiscal year ended September 30, 2007. Please read it in conjunction with DMAid's financial statements.

Financial Highlights

- The Downriver Mutual Aid (DMA) fire chiefs continue to explore the possibility of fire consolidation and a central dispatch system.
- The DMA renewed its maintenance agreement with Motorola for another three years for the 800 MHz system (Enhanced 911). The new agreement will expire on September 30, 2010. The COPS grant was used to help pay for a portion of the maintenance agreement and some necessary server updates.
- The DMA received a third COPS grant in the amount of \$740,421. This grant will be used to assist communities with purchasing mobile data units, global positioning software, and/or palmprint ID systems. New equipment was purchased for the SWAT team using this COPS grant.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of DMAid as a whole and present a longer-term view of DMAid's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the members' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report DMAid's operations in more detail than the government-wide financial statements by providing information about DMAid's most significant funds.

Downriver Mutual Aid

Management's Discussion and Analysis (Continued)

DMAid as a Whole

The following table shows, in a condensed format, the net assets as of September 30, 2007 and 2006:

	Governmental Activities	
	2007	2006
Assets		
Current assets	\$ 2,783,469	\$ 3,294,896
Noncurrent assets	5,788,615	6,403,754
Total assets	8,572,084	9,698,650
Liabilities		
Current liabilities	1,177,488	1,298,743
Noncurrent liabilities	2,115,894	2,938,647
Total liabilities	3,293,382	4,237,390
Net Assets		
Invested in capital assets - Net of related debt	2,849,968	2,693,613
Restricted for 911 expenditures	1,332,639	1,102,379
Restricted for grant expenditures	928,454	1,618,883
Unrestricted	167,641	46,385
Total net assets	<u>\$ 5,278,702</u>	<u>\$ 5,461,260</u>

DMAid's combined net assets total \$5.3 million for the fiscal year ended September 30, 2007. Net assets are further segregated between restricted and unrestricted net assets. The restricted net assets, assets that are restricted for a specific purpose/use, and invested in capital assets total \$5.1 million. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, total \$167,641.

Downriver Mutual Aid

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets for the years ended September 30, 2007 and 2006:

	Governmental Activities	
	2007	2006
Revenue		
Program revenue:		
Charges for services	\$ 1,641,844	\$ 1,553,915
Operating grants and contributions	1,789,193	2,469,594
General revenue - Miscellaneous revenue	148,195	47,173
Total revenue	3,579,232	4,070,682
Program Expenses		
Police	76,406	74,859
Fire	114,282	171,220
DRANO operations	218,044	337,057
Highway safety	316,940	456,795
Auto theft	54,394	50,488
Drug enhancement	832,546	190,084
911	1,511,499	1,702,721
COPS	448,000	144,422
Michigan State Police/Chief	189,679	169,831
Total program expenses	3,761,790	3,297,477
Change in Net Assets	\$ (182,558)	\$ 773,205

Governmental Activities

Governmental activities are those activities (such as police and fire) provided to the constituents of DMAid and supported by member assessments, forfeitures, and grants. Revenues and expenses vary from year to year depending on grant awards and related expenditures as well as forfeiture receipts and related distributions to participating agencies.

DMAid's Funds

Our analysis of DMAid's major funds begins on page 9, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not DMAid as a whole. The DMAid board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. DMAid's major funds for 2007 include the highway safety program, 911 activities, Michigan State Police/Chief activity, drug enhancement activities, DRANO operations activity, and COPS grant activities.

Downriver Mutual Aid

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

At the end of 2007, DMAid had \$5.8 million invested in a broad range of capital assets, including 911 equipment. These assets are necessary to carry out the day-to-day operations of Downriver Mutual Aid.

Economic Factors and Next Year's Budgets and Rates

The money collected from the 911 user fees is used to make monthly payments on the debt associated with the 911 equipment. The provision to charge user fees was recently extended through 2009. Our legal counsel believes user fees can continue to be assessed until the debt is paid in full.

Contacting DMAid's Management

This financial report is intended to provide our citizens, customers, and member communities with a general overview of DMAid's finances and to show DMAid's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the accounting office.

Downriver Mutual Aid

Statement of Net Assets September 30, 2007

	Primary Government Governmental Activities
Assets	
Cash and investments (Note 2)	\$ 1,477,594
Due from other governmental units	274,983
Prepaid and other assets	162
Restricted assets (Note 8)	1,030,730
Capital assets - Net (Note 3)	<u>5,788,615</u>
Total assets	<u>\$ 8,572,084</u>
Liabilities and Net Assets	
Liabilities	
Accrued and other liabilities	\$ 354,735
Noncurrent liabilities (Note 7):	
Due within one year	822,753
Due within more than one year	<u>2,115,894</u>
Total liabilities	3,293,382
Net Assets	
Invested in capital assets - Net of related debt	2,849,968
Restricted for 911 expenditures	1,332,639
Restricted for grant expenditures	928,454
Unrestricted	<u>167,641</u>
Total net assets	<u>5,278,702</u>
Total liabilities and net assets	<u>\$ 8,572,084</u>

Downriver Mutual Aid

Statement of Activities Year Ended September 30, 2007

				Net (Expense) Revenue and Changes in Net Assets
		Program Revenues		
			Operating	
		Charges for	Grants and	Governmental
	Expenses	Services	Contributions	Activities
Functions/Programs				
Police	\$ 76,406	\$ -	\$ 63,850	\$ (12,556)
Fire	114,282	21,740	73,202	(19,340)
DRANO operations	218,044	50	283,447	65,453
Highway safety	316,940	-	316,940	-
Auto theft	54,394	-	64,140	9,746
Drug enhancement	832,546	408	293,749	(538,389)
911	1,511,499	1,619,646	-	108,147
COPS	448,000	-	448,000	-
Michigan State Police/Chief	189,679	-	245,865	56,186
Total governmental activities	<u>\$ 3,761,790</u>	<u>\$ 1,641,844</u>	<u>\$ 1,789,193</u>	(330,753)
General Revenues				
Capital contributions				60,000
Interest				<u>88,195</u>
Change in Net Assets				(182,558)
Net Assets - Beginning of year				<u>5,461,260</u>
Net Assets - End of year				<u>\$ 5,278,702</u>

Downriver Mutual Aid

Governmental Funds Balance Sheet September 30, 2007

	Major Funds						Nonmajor	Total
	Highway Safety	911	Michigan State Police/Chief	Drug Enhancement	DRANO Operations	COPS	Governmental Funds	Governmental Funds
Assets								
Cash and investments (Note 2)	\$ -	\$ 228,793	\$ 393,105	\$ 351,317	\$ 268,611	\$ -	\$ 246,956	\$ 1,488,782
Due from other governmental units	114,061	92,177	5,883	1,771	23,530	7,224	30,337	274,983
Prepaid and other assets	-	-	-	38	48	-	76	162
Restricted assets (Note 8)	-	1,030,730	-	-	-	-	-	1,030,730
Total assets	<u>\$ 114,061</u>	<u>\$ 1,351,700</u>	<u>\$ 398,988</u>	<u>\$ 353,126</u>	<u>\$ 292,189</u>	<u>\$ 7,224</u>	<u>\$ 277,369</u>	<u>\$ 2,794,657</u>
Liabilities and Fund Balances								
Liabilities								
Bank overdraft	\$ 5,367	\$ -	\$ -	\$ -	\$ -	\$ 5,821	\$ -	\$ 11,188
Accrued and other liabilities	108,694	19,061	15,216	1,402	173,999	1,403	34,960	354,735
Deferred revenue (Note 4)	-	92,177	-	-	-	-	-	92,177
Total liabilities	114,061	111,238	15,216	1,402	173,999	7,224	34,960	458,100
Fund Balances								
Reserved for 911 expenditures	-	1,240,462	-	-	-	-	-	1,240,462
Reserved for grant expenditures	-	-	383,772	351,724	118,190	-	74,768	928,454
Unreserved, Special Revenue Funds	-	-	-	-	-	-	167,641	167,641
Total fund balances	-	1,240,462	383,772	351,724	118,190	-	242,409	2,336,557
Total liabilities and fund balances	<u>\$ 114,061</u>	<u>\$ 1,351,700</u>	<u>\$ 398,988</u>	<u>\$ 353,126</u>	<u>\$ 292,189</u>	<u>\$ 7,224</u>	<u>\$ 277,369</u>	<u>\$ 2,794,657</u>
Fund Balance - Total Governmental Funds								\$ 2,336,557
Amounts reported for governmental activities in the statement of net assets are different because:								
Capital assets used in governmental activities are not financial resources and are not reported in the funds								5,788,615
Revenue is expected to be collected in a future period and is not available to pay for current year expenditures								92,177
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds								(2,938,647)
Net Assets - Governmental Activities								\$ 5,278,702

The Notes to Financial Statements are an
Integral Part of this Statement.

Downriver Mutual Aid

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Year Ended September 30, 2007

	Major Funds						Nonmajor	Total
	Highway Safety	911	Michigan State Police/Chief	Drug Enhancement	DRANO Operations	COPS	Governmental Funds	Governmental Funds
Revenue								
Membership assessments	\$ -	\$ -	\$ -	\$ -	\$ 115,600	\$ -	\$ 137,052	\$ 252,652
Federal grants	553,908	-	-	-	84,407	448,000	-	1,086,315
State and local grants	-	-	-	21,247	-	-	182,438	203,685
Reimbursements and other revenue	-	-	-	408	50	-	21,740	22,198
Forfeiture receipts:								
Federal	-	-	180,834	146,856	-	-	-	327,690
State	-	-	65,031	125,646	83,440	-	21,702	295,819
Interest	-	37,059	16,478	32,165	2,493	-	-	88,195
911 user charge	-	1,611,882	-	-	-	-	-	1,611,882
Total revenue	553,908	1,648,941	262,343	326,322	285,990	448,000	362,932	3,888,436
Expenditures								
Salaries	5,623	1,694	20,291	27,169	44,524	10,041	36,527	145,869
Fringe benefits	889	250	2,043	16,594	19,937	1,900	7,793	49,406
Professional services	3,000	214,390	24,633	11,429	8,379	1,990	52,430	316,251
Office supplies	-	-	1,639	356	3,945	33	13,153	19,126
Communication costs	-	1,774	-	5,154	11,306	-	19,140	37,374
Maintenance	-	231,792	34,397	-	832	73,872	24,314	365,207
Building rent	-	-	56,400	3,600	15,377	-	16,855	92,232
Rental equipment	-	-	36,886	-	96,848	-	97	133,831
Training	-	-	493	-	1	-	11,895	12,389
Business meetings	-	-	-	-	326	-	3,746	4,072
Insurance	-	70,886	-	-	1,059	-	12,866	84,811
Forfeiture outlay	-	-	-	3,426	11,449	-	-	14,875
Manpower reimbursement	307,428	-	54,060	763,862	859	-	10,780	1,136,989
Miscellaneous	-	351	51,900	956	3,202	5,411	15,022	76,842
Capital outlay	-	-	17,085	-	-	354,753	7,312	379,150
Debt service	-	989,721	-	-	-	-	-	989,721
Total expenditures	316,940	1,510,858	299,827	832,546	218,044	448,000	231,930	3,858,145
Excess of Revenue Over (Under) Expenditures	236,968	138,083	(37,484)	(506,224)	67,946	-	131,002	30,291
Other Financing Sources (Uses) - Transfers in (out) (Note 5)	-	-	(12,679)	-	12,679	-	-	-
Net Change in Fund Balance (Deficit)	236,968	138,083	(50,163)	(506,224)	80,625	-	131,002	30,291
Fund Balances (Deficit) - Beginning of year	(236,968)	1,102,379	433,935	857,948	37,565	-	111,407	2,306,266
Fund Balances - End of year	\$ -	\$ 1,240,462	\$ 383,772	\$ 351,724	\$ 118,190	\$ -	\$ 242,409	\$ 2,336,557

The Notes to Financial Statements are an
Integral Part of this Statement.

Downriver Mutual Aid

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities Year Ended September 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$	30,291
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation		(675,139)
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Capital contributions are recorded only in the statement of activities		60,000
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Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)		(369,204)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		771,494
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Change in Net Assets of Governmental Activities	\$	<u>(182,558)</u>
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Downriver Mutual Aid

Notes to Financial Statements September 30, 2007

Note I - Summary of Significant Accounting Policies

The accounting policies of Downriver Mutual Aid (DMAid) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Downriver Mutual Aid:

Reporting Entity

DMAid is a program funded by member assessments of 18 communities of the southern Wayne County area of metropolitan Detroit, grants, charges for services, and adjudicated forfeiture funds. It was established to enhance the separate operations of the various communities through its mutual police, fire, auto theft, and narcotics divisions. DMAid is administered by Downriver Community Conference (DCC) and is coordinated with the Michigan State Police. DMAid has received approval of its interlocal agreement from the governor of the state of Michigan. This agreement recognizes DMAid as a separate legal entity.

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. In accordance with these criteria, there are no component units included in this reporting entity.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of DMAid. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest income and other items not properly included among program revenues are reported instead as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, DMAid considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: federal grant reimbursements will be collected after the period of availability; certain receivables have been recorded for these, along with "deferred revenue."

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

DMAid reports the following major governmental funds:

Highway Safety Fund - The Highway Safety Fund accounts for a federal program to provide additional law enforcement on area highways.

911 Fund - The 911 Fund accounts for the activity of the 911 services that are provided to the downriver communities.

Michigan State Police/Chief Fund - The Michigan State Police/Chief Fund accounts for the activities of joint undercover police drug task force operations.

Drug Enhancement Fund - The Drug Enhancement Fund accounts for the combined drug enhancement activities that are performed on behalf of the downriver communities.

DRANO Operations Fund - The DRANO (Downriver Area Narcotics Organization) Operations Fund accounts for the general activities of the narcotics task force.

Note 1 - Summary of Significant Accounting Policies (Continued)

COPS Fund - The COPS Fund accounts for the revenue and expenditures related to federal COPS (Community Oriented Policing Services) grants.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, DMAid's policy is to first apply restricted resources.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

Capital Assets - Capital assets, which include 911 equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by DMAid as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost.

911 equipment is depreciated using the straight-line method over useful lives of 6 to 20 years. Furniture and equipment and vehicles are depreciated over three to seven years.

Long-term Obligations - In the government-wide financial statements, long-term debt is reported as liabilities in the governmental activities statement of net assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Downriver Mutual Aid

Notes to Financial Statements September 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Forfeited Property - As of September 30, 2007, DMAid had acquired legal title to various properties through forfeiture. This property is not recorded in the financial statements since no objective basis of valuation has been determined and the property does not represent a spendable financial resource. If and when that property is sold at an auction, the proceeds from the sale are recorded as revenues.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. DMAid is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

DMAid has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. Downriver Mutual Aid's deposits and investment policies are in accordance with statutory authority.

Downriver Mutual Aid

Notes to Financial Statements September 30, 2007

Note 2 - Deposits and Investments (Continued)

Downriver Mutual Aid's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, Downriver Mutual Aid's deposits may not be returned to it. Downriver Mutual Aid does not have a deposit policy for custodial credit risk. At year end, DMAid had approximately \$1,174,000 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. DMAid believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, Downriver Mutual Aid evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. DMAid's investment policy does not further limit its investment choices. As of year end, Downriver Mutual Aid had approximately \$886,000 invested in mutual funds that were unrated.

Note 3 - Capital Assets

Capital asset activity of DMAid's governmental activities was as follows:

	Balance October 1, 2006	Additions	Balance September 30, 2007
Governmental Activities			
Capital assets being depreciated:			
Furniture and equipment	\$ 155,099	\$ 201,111	\$ 356,210
Vehicles	146,748	-	146,748
911 system	11,253,001	77,404	11,330,405
Subtotal	11,554,848	278,515	11,833,363
Accumulated depreciation:			
Furniture and equipment	24,415	30,963	55,378
Vehicles	61,828	13,152	74,980
911 system	5,064,851	849,539	5,914,390
Subtotal	5,151,094	893,654	6,044,748
Net capital assets being depreciated	\$ 6,403,754	\$ (615,139)	\$ 5,788,615

Downriver Mutual Aid

Notes to Financial Statements September 30, 2007

Note 3 - Capital Assets (Continued)

Depreciation expense was charged to programs as follows:

911 system	\$ 849,539
Other programs	<u>44,115</u>
Total	<u>\$ 893,654</u>

As discussed in Note 8, the 911 system is being financed through debt issued by the City of Taylor. DMAid's pledge related to this financing transaction meets the criteria of a capital lease; therefore, the 911 system is reflected as a DMAid asset.

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, \$92,177 was deferred in the 911 Fund as revenue not available to finance current expenditures. No deferrals were recorded for unearned revenue.

Note 5 - Interfund Receivables, Payables, and Transfers

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
Michigan State Police/Chief Fund	DRANO	<u>\$ 12,679</u>

The transfer to DRANO from the Michigan State Police/Chief Fund was an operating transfer for various reasons.

Note 6 - Assets Held in Trust

DMAid holds cash and other assets seized as evidence. At September 30, 2007, the cash balance was \$154,770. In addition, DMAid holds other noncash assets related to pending cases. The value of the noncash assets has not been recorded. Upon resolution of the cases, the assets are either returned to the owners, destroyed, or become the property of DMAid.

Downriver Mutual Aid

Notes to Financial Statements September 30, 2007

Note 7 - Long-term Debt

The outstanding debt balance of DMAid as of September 30, 2007 consists of a pledge to pay an installment purchase agreement between the City of Taylor (a member community) and a bank for the 911 system. The City of Taylor purchased a public safety radio communications system through an installment purchase agreement dated October 31, 2000. DMAid, as the emergency telephone district board acting on behalf of the Downriver Mutual Aid 911 Service District, has pledged current and future 911 user charge revenue for the repayment of debt. The debt is payable in monthly payments of principal and interest of \$82,477 through January 2011. The debt bears an interest rate of 6.45 percent. The 911 user charge legislation was recently revised and extended into 2009. DMAid's legal counsel has asserted that DMAid will be able to continue to assess the user charge until the debt is paid in full.

	Interest Rate	Principal Maturity Ranges	Beginning Balance	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
General obligation debt - Installment purchase agreement:						
\$7,279,926		\$302,761 -				
Maturing through 2011	6.45%	\$935,715	\$ 3,710,141	\$ (771,494)	\$ 2,938,647	\$ 822,753

Annual debt service requirements to maturity for the above installment purchase agreement are as follows:

	Principal	Interest	Total
2008	\$ 822,753	\$ 166,971	\$ 989,724
2009	877,418	112,306	989,724
2010	935,715	54,009	989,724
2011	302,761	4,386	307,147
Total	\$ 2,938,647	\$ 337,672	\$ 3,276,319

Downriver Mutual Aid

Notes to Financial Statements September 30, 2007

Note 8 - Restricted Assets

Restricted assets consist of cash and cash equivalents and accounts receivable as noted below. The amounts are restricted in accordance with the 911 operating agreement. At September 30, 2007, fund balance has been reserved in the 911 Fund for the entire balance of these restricted assets. In addition, the remaining fund balance of \$209,732 in the 911 Fund has been reserved for future 911 operating expenditures under state law.

The balances of the restricted asset accounts are as follows:

Cash	\$ 886,390
Accounts receivable	<u>144,340</u>
Total restricted assets	<u><u>\$ 1,030,730</u></u>

Note 9 - Risk Management

DMAid is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). DMAid has purchased commercial insurance for these claims. DMAid is also exposed to various risks of loss related to medical benefits provided to employees. DMAid is partially self-insured for these claims. DMAid is responsible for the first \$1,000 per occurrence for claims filed. The self-insured claims expense for the year ended September 30, 2007 was not significant. DMAid management estimates that there are no significant unpaid medical claims at year end. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 - Commitment

During the current year, DMAid entered into a contract for repairs and subscription services related to the 911 system. At September 30, 2007, the total amount of the contract was \$857,353, with a remaining commitment of \$857,353.

Downriver Mutual Aid

Notes to Financial Statements September 30, 2007

Note 11 - Operating Leases

In September 2006, DMAid entered into a five-year operating lease for office space. The lease expires in September 2011. DMAid has a renewal option to extend the lease for an additional five years at market rate with the increase capped at 110 percent of the prior 12 months' rent. The minimum rental commitment under the operating lease is as follows:

<u>Years Ending September 30</u>	<u>Amount</u>
2008	\$ 75,000
2009	75,000
2010	75,000
2011	<u>68,750</u>
Total	<u>\$ 293,750</u>

Note 12 - Related Party Transactions

The directors and officers of Downriver Community Conference (DCC), a related organization, are also directors and officers of DMAid.

DCC performs administrative and accounting services for DMAid. During the year ended September 30, 2007, there were immaterial transactions related to the central cost allocation plan and expense reimbursements between DMAid and DCC.

In addition, DMAid reimburses member communities for various expenditures, distributes forfeited funds from adjudicated enforcement activity seizures, and purchases equipment on behalf of member communities. These amounts are outlined below:

Downriver Mutual Aid

Notes to Financial Statements September 30, 2007

Note 12 - Related Party Transactions (Continued)

	Manpower Reimbursement and Forfeiture Distributions	COPS Equipment Purchases and Reimbursement
Related party:		
City of Allen Park	\$ 103,927	\$ 21,167
Brownstown Township	116,860	-
City of Ecorse	-	17,538
City of Flat Rock	1,190	13,011
City of Gibraltar	-	-
Grosse Ile Township	48,810	-
Huron Township	103,927	-
City of Lincoln Park	1,400	-
City of Melvindale	560	21,167
City of River Rouge	1,470	21,167
City of Riverview	104,557	-
City of Rockwood	1,190	15,399
City of Romulus	13,757	21,167
City of Southgate	51,963	-
City of Taylor	105,327	-
City of Trenton	52,330	-
City of Woodhaven	31,178	21,167
City of Wyandotte	118,504	17,256
Total related party	856,950	169,039
Nonrelated party amounts	280,039	-
Total	<u>\$ 1,136,989</u>	<u>\$ 169,039</u>

Required Supplemental Information

Downriver Mutual Aid

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Highway Safety Fund Year Ended September 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget - Favorable (Unfavorable)
Fund Balance (Deficit) - Beginning of year	\$ -	\$ (236,968)	\$ (236,968)	\$ -
Resources (Inflows) - Federal grants	365,149	324,995	553,908	228,913
Charges to Appropriations (Outflows)				
Salaries	2,400	5,210	5,623	(413)
Fringe benefits	600	1,302	889	413
Professional services	1,500	3,000	3,000	-
Manpower reimbursement	<u>360,649</u>	<u>315,483</u>	<u>307,428</u>	<u>8,055</u>
Total charges to appropriations (outflows)	<u>365,149</u>	<u>324,995</u>	<u>316,940</u>	<u>8,055</u>
Fund Balance (Deficit) - End of year	<u>\$ -</u>	<u>\$ (236,968)</u>	<u>\$ -</u>	<u>\$ 236,968</u>

Downriver Mutual Aid

Required Supplemental Information Budgetary Comparison Schedule (Continued) Major Special Revenue Funds - 911 Fund Year Ended September 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget - Favorable (Unfavorable)
Fund Balance - Beginning of year	\$ 1,102,379	\$ 1,102,379	\$ 1,102,379	\$ -
Resources (Inflows)				
911 user charge (land line)	1,235,000	1,150,000	1,243,174	93,174
911 user charge (cell phone - Wayne County)	337,303	372,000	368,708	(3,292)
Interest	33,000	33,000	37,059	4,059
Total resources (inflows)	1,605,303	1,555,000	1,648,941	93,941
Charges to Appropriations (Outflows)				
Salaries	2,500	3,750	1,694	2,056
Fringe benefits	750	938	250	688
Professional services	12,000	22,500	20,460	2,040
Subscriptions	204,000	204,000	193,930	10,070
Office supplies	450	350	-	350
Communication costs	3,500	2,500	1,774	726
Maintenance	275,000	225,000	214,329	10,671
Utilities	20,000	20,000	17,463	2,537
Insurance	70,035	70,885	70,886	(1)
Travel	50	100	-	100
Miscellaneous	500	500	351	149
Debt service	989,724	989,724	989,721	3
Total charges to appropriations (outflows)	1,578,509	1,540,247	1,510,858	29,389
Fund Balance - End of year	\$ 1,129,173	\$ 1,117,132	\$ 1,240,462	\$ 123,330

Downriver Mutual Aid

Required Supplemental Information Budgetary Comparison Schedule (Continued) Major Special Revenue Funds - Michigan State Police/Chief Fund Year Ended September 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget - Favorable (Unfavorable)
Fund Balance - Beginning of year	\$ 433,935	\$ 433,935	\$ 433,935	\$ -
Resources (Inflows)				
Forfeiture receipts	175,000	185,000	245,865	60,865
Interest	21,000	16,920	16,478	(442)
Total resources (inflows)	196,000	201,920	262,343	60,423
Charges to Appropriations (Outflows)				
Salaries	25,000	25,000	20,291	4,709
Fringe benefits	4,500	3,125	2,043	1,082
Professional services	3,500	7,500	24,633	(17,133)
Office supplies	3,500	5,800	1,639	4,161
Communication costs	5,000	1,000	-	1,000
Maintenance	-	53,000	34,397	18,603
Rent	108,000	108,000	93,286	14,714
Training	5,000	2,500	493	2,007
Business meetings	350	350	-	350
Insurance	6,500	3,500	-	3,500
Manpower reimbursement	52,000	52,000	54,060	(2,060)
Advertising	-	2,500	2,449	51
Printing/Copy/Fax	2,500	1,250	-	1,250
Computer related/Internet	2,000	2,000	1,084	916
Undercover investigation	35,000	45,000	42,243	2,757
Travel	350	3,500	2,442	1,058
Miscellaneous	2,500	2,500	3,682	(1,182)
Capital outlay	3,000	7,000	17,085	(10,085)
Transfer out	-	12,700	12,679	21
Total charges to appropriations (outflows)	258,700	338,225	312,506	25,719
Fund Balance - End of year	\$ 371,235	\$ 297,630	\$ 383,772	\$ 86,142

Downriver Mutual Aid

Required Supplemental Information Budgetary Comparison Schedule (Continued) Major Special Revenue Funds - Drug Enhancement Fund Year Ended September 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget - Favorable (Unfavorable)
Fund Balance - Beginning of year	\$ 857,948	\$ 857,948	\$ 857,948	\$ -
Resources (Inflows)				
State and local grants	-	-	21,247	21,247
Reimbursements	53,939	53,939	408	(53,531)
Forfeiture receipts	400,000	185,000	272,502	87,502
Interest	18,000	30,000	32,165	2,165
Total resources (inflows)	471,939	268,939	326,322	57,383
Charges to Appropriations (Outflows)				
Salaries	29,417	29,417	27,169	2,248
Fringe benefits	17,500	17,000	16,594	406
Professional services	550	3,500	11,429	(7,929)
Office supplies	550	550	356	194
Communication costs	5,500	6,000	5,154	846
Rent	4,200	4,200	3,600	600
Forfeiture outlay	7,500	7,500	3,426	4,074
Manpower reimbursement	725,000	763,862	763,862	-
Travel	50	-	-	-
Miscellaneous	100	100	956	(856)
Transfer out	25,000	32,000	-	32,000
Total charges to appropriations (outflows)	815,367	864,129	832,546	31,583
Fund Balance - End of year	\$ 514,520	\$ 262,758	\$ 351,724	\$ 88,966

Downriver Mutual Aid

Required Supplemental Information Budgetary Comparison Schedule (Continued) Major Special Revenue Funds - DRANO Operations Fund Year Ended September 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget - Favorable (Unfavorable)
Fund Balance - Beginning of year	\$ 37,565	\$ 37,565	\$ 37,565	\$ -
Resources (Inflows)				
Membership assessments	115,600	115,600	115,600	-
Federal grants	90,000	90,000	84,407	(5,593)
Reimbursements	-	-	50	50
Forfeiture receipts	100,000	75,000	83,440	8,440
Interest	3,000	2,000	2,493	493
Transfer in	-	12,700	12,679	(21)
Total resources (inflows)	308,600	295,300	298,669	3,369
Charges to Appropriations (Outflows)				
Salaries	46,996	46,996	44,524	2,472
Fringe benefits	20,208	20,678	19,937	741
Professional services	4,650	8,580	8,379	201
Office supplies	4,500	6,000	3,945	2,055
Communication costs	12,750	11,500	11,306	194
Maintenance	2,500	2,500	832	1,668
Rent	106,420	119,120	112,225	6,895
Training	1,500	1,500	1	1,499
Business meetings	250	250	326	(76)
Insurance	10,000	2,791	1,059	1,732
Forfeiture outlay	7,500	7,500	11,449	(3,949)
Manpower reimbursement	80,000	-	859	(859)
Advertising	25	15	-	15
Printing/Copy/Fax	100	100	-	100
Computer related/Internet	350	350	-	350
Undercover investigation	2,500	2,500	883	1,617
Travel	600	1,000	-	1,000
Miscellaneous	2,250	2,250	2,319	(69)
Total charges to appropriations (outflows)	303,099	233,630	218,044	15,586
Fund Balance - End of year	\$ 43,066	\$ 99,235	\$ 118,190	\$ 18,955

Downriver Mutual Aid

Required Supplemental Information Budgetary Comparison Schedule (Continued) Major Special Revenue Funds - COPS Fund Year Ended September 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget - Favorable (Unfavorable)
Fund Balance - Beginning of year	\$ -	\$ -	\$ -	\$ -
Resources (Inflows) - Federal grants	740,421	427,512	448,000	20,488
Charges to Appropriations (Outflows)				
Salaries	39,861	12,500	10,041	2,459
Fringe benefits	6,241	3,125	1,900	1,225
Professional services	-	-	1,990	(1,990)
Office supplies	3,819	4,227	33	4,194
Maintenance	117,000	74,500	73,872	628
Miscellaneous	-	-	5,411	(5,411)
Capital outlay	573,500	333,151	354,753	(21,602)
Total charges to appropriations (outflows)	740,421	427,503	448,000	(20,497)
Fund Balance - End of year	<u>\$ -</u>	<u>\$ 9</u>	<u>\$ -</u>	<u>\$ (9)</u>

Downriver Mutual Aid

Note to Required Supplemental Information September 30, 2007

Note - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for Special Revenue Funds except that operating transfers have been included in “revenue” and “expenditure” categories, rather than in “other financing sources (uses).” All annual appropriations lapse at fiscal year end; encumbrances are not included as expenditures. The amounts of expenditures outstanding at September 30, 2007 have not been calculated.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Excess of Expenditures Over Appropriations in Budgeted Funds - Michigan State Police/Chief Fund professional service expenditures were greater than budgeted due to certain expenditures being recorded there, rather than in maintenance expense, where they were budgeted. Capital outlay expenditures were greater than budgeted due to end of year purchases that were not included in the budget, but were approved by the board. The Drug Enhancement Fund incurred professional service expenditures that were greater than budgeted amounts due to unanticipated program close-out expenditures. The DRANO Operations Fund incurred greater than budgeted forfeiture outlay expenditures due to unanticipated court costs and fees. The COPS Grant Fund had greater than budgeted capital outlay expenditures because additional grant revenue was available to fund the expenditures in the current year, rather than in a future year, as originally anticipated.

Other Supplemental Information

Downriver Mutual Aid

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds September 30, 2007

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Auto Theft	Police	Fire	
Assets				
Cash and investments	\$ 65,552	\$ 27,054	\$ 154,350	\$ 246,956
Due from other governmental units	10,587	19,750	-	30,337
Prepaid and other assets	76	-	-	76
Total assets	<u>\$ 76,215</u>	<u>\$ 46,804</u>	<u>\$ 154,350</u>	<u>\$ 277,369</u>
Liabilities and Fund Balances				
Liabilities - Accrued and other liabilities	\$ 1,447	\$ 31,970	\$ 1,543	\$ 34,960
Fund Balances				
Reserved	74,768	-	-	74,768
Unreserved	-	14,834	152,807	167,641
Total fund balances	<u>74,768</u>	<u>14,834</u>	<u>152,807</u>	<u>242,409</u>
Total liabilities and fund balances	<u>\$ 76,215</u>	<u>\$ 46,804</u>	<u>\$ 154,350</u>	<u>\$ 277,369</u>

Downriver Mutual Aid

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended September 30, 2007

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Auto Theft	Police	Fire	
Revenue				
Membership assessments	\$ -	\$ 63,850	\$ 73,202	\$ 137,052
State and local grants	42,438	-	140,000	182,438
Reimbursements and other revenue	-	-	21,740	21,740
Forfeiture receipts - State	21,702	-	-	21,702
Total revenue	64,140	63,850	234,942	362,932
Expenditures				
Salaries	31,266	3,568	1,693	36,527
Fringe benefits	6,239	966	588	7,793
Professional fees	730	2,322	49,378	52,430
Office supplies	60	10,688	2,405	13,153
Communication costs	-	7,905	11,235	19,140
Maintenance	110	11,236	12,968	24,314
Building rent	12,000	4,572	283	16,855
Rental equipment	-	51	46	97
Training	2,464	6,347	3,084	11,895
Business meetings	399	472	2,875	3,746
Insurance	-	6,051	6,815	12,866
Manpower reimbursement	-	-	10,780	10,780
Miscellaneous	1,126	9,076	4,820	15,022
Capital outlay	-	-	7,312	7,312
Total expenditures	54,394	63,254	114,282	231,930
Net Change in Fund Balance	9,746	596	120,660	131,002
Fund Balances - Beginning of year	65,022	14,238	32,147	111,407
Fund Balances - End of year	<u>\$ 74,768</u>	<u>\$ 14,834</u>	<u>\$ 152,807</u>	<u>\$ 242,409</u>

Downriver Mutual Aid

**Federal Awards
Supplemental Information
September 30, 2007**

Downriver Mutual Aid

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Independent Auditor's Report

To the Board of Directors
Downriver Mutual Aid

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Downriver Mutual Aid as of and for the year ended September 30, 2007, which collectively comprise Downriver Mutual Aid's basic financial statements, and have issued our report thereon dated January 23, 2008. Those basic financial statements are the responsibility of the management of Downriver Mutual Aid. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Downriver Mutual Aid's basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

January 23, 2008



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**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

To the Board of Directors
Downriver Mutual Aid

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Downriver Mutual Aid as of and for the year ended September 30, 2007, which collectively comprise Downriver Mutual Aid's basic financial statements, and have issued our report thereon dated January 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Downriver Mutual Aid's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Downriver Mutual Aid's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Downriver Mutual Aid's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the control deficiency described in the accompanying schedule of findings and questioned costs as item 2007-01 to be a significant deficiency in internal control over financial reporting.

To the Board of Directors
Downriver Mutual Aid

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is not a material weakness

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Downriver Mutual Aid's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain matters that we reported to the management of Downriver Mutual Aid in a separate letter dated January 23, 2008.

Downriver Mutual Aid's response to the significant deficiency identified in our audit and described in the accompanying schedule of findings and questioned costs has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

January 23, 2008

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Directors
Downriver Mutual Aid

Compliance

We have audited the compliance of Downriver Mutual Aid with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended September 30, 2007. The major federal program of Downriver Mutual Aid is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Downriver Mutual Aid's management. Our responsibility is to express an opinion on Downriver Mutual Aid's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Downriver Mutual Aid's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Downriver Mutual Aid's compliance with those requirements.

In our opinion, Downriver Mutual Aid complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2007.

To the Board of Directors
Downriver Mutual Aid

Internal Control Over Compliance

The management of Downriver Mutual Aid is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Downriver Mutual Aid's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

January 23, 2008

Downriver Mutual Aid

Schedule of Expenditures of Federal Awards Year Ended September 30, 2007

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity	Award Amount	Federal Expenditures
		Project/Grant Number		
U.S. Department of Transportation - Passed through the Michigan Office of Highway Safety Planning - Highway Safety Project	20.600	PT-07-09	\$ 324,995	\$ 316,940
U.S. Department of Justice:				
Passed through the State of Michigan - High Intensity Drug Trafficking Areas	16.unknown		84,407	84,407
COPS Technology Initiative	16.710	2005CKWX0340	197,329	52,513
COPS III	16.710	2006CKWX0522	740,421	394,221
Federal Equitable Sharing	16.unknown		243,032	1,116,174
Total U.S. Department of Justice				1,647,315
Total federal awards				<u>\$ 1,964,255</u>

Downriver Mutual Aid

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended September 30, 2007

Revenue from federal sources - As reported on financial statements	\$ 1,414,005
Less revenue received in the current year related to prior year expenditures	(236,968)
Add expenditures in the current year related to prior year revenues	<u>787,218</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 1,964,255</u></u>

Downriver Mutual Aid

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2007

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Downriver Mutual Aid and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Federal Equitable Sharing	16.unknown	\$ 763,862

Downriver Mutual Aid

Schedule of Findings and Questioned Costs Year Ended September 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes _____ None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major program(s):

CFDA Number(s)	Name of Federal Program or Cluster
16.unknown	Federal Equitable Sharing

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

Downriver Mutual Aid

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2007

Section II - Financial Statement Audit Findings

Reference Number	Findings
2007-01	<p>Finding Type - Significant deficiency</p> <p>Criteria - For the period under audit, SAS 112 was effective, under which certain adjusting journal entries indicative of control matters now represent significant deficiencies.</p> <p>Condition - In conjunction with the audit of Downriver Mutual Aid's financial statements for the year ended September 30, 2007, Downriver Mutual Aid was required to post an entry to capitalize assets related to equipment purchases made during the year.</p> <p>Context - Historically, Downriver Mutual Aid's auditors have recommended journal entries as part of the audit. For the audit of Downriver Mutual Aid's year ended September 30, 2007, Statement on Accounting Standards (SAS) No. 112, <i>Communicating Internal Control Related Matters Identified in an Audit</i>, was effective. SAS 112 now defines entries of this nature to be significant deficiencies.</p> <p>Effect - Downriver Mutual Aid's unadjusted financial statements were misstated by the amount of the unrecorded assets.</p> <p>Cause - The adjusting journal entry was related to purchase of SWAT team equipment during the year.</p> <p>Recommendation - Downriver Mutual Aid should implement procedures to ensure all capital-related expenditures are appropriately identified and capitalized.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Downriver Mutual Aid will focus on reviewing expenditures to ensure capital outlay is properly identified and capitalized. Downriver Mutual Aid was able to significantly limit and reduce the number of auditor-prepared journal entries in the current year.</p>

Section III - Federal Program Audit Findings

None

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Summary Schedule of Prior Year Audit Findings Year Ended September 30, 2007

Finding	CFDA Number	Questioned Costs	Comments
Downriver Mutual Aid prepared the annual certification report from a different accounting system than that used for financial reporting purposes, and amounts on the report were not and could not be reconciled to the comparable financial reporting amounts.	16.unknown	None	Downriver Mutual Aid now completes the report from the same accounting system that is used for financial reporting purposes.



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January 23, 2008

To the Members of the Board
and Management
Downriver Mutual Aid
15100 Northline Road
Southgate, MI 48195

Dear Members of the Board
and Management:

We recently completed the audit of Downriver Mutual Aid (DMAid) for the year ended September 30, 2007. As part of the audit, and in addition to the financial and compliance report, we offer the following comment for your consideration:

- The Michigan State Police June inspection report noted that the property room contains several items related to very old cases and recommends DMAid work with the Wayne County prosecutor's office to resolve whether or not that property is still needed for those cases. We encourage DMAid to follow through on this matter.

In addition to the above comment, our audit also identified, as required by the new Statement on Auditing Standards No. 112, a significant deficiency in internal control that has been reported to you in the federal awards supplemental information report for the year ended September 30, 2007. The matter noted in that report relates to capitalization of fixed assets. This federal awards report is a supplemental report of the basic financial statements, and we recommend that the matter we have noted there receive your careful consideration.

911 Surcharge Revised and Extended

Public Acts 164 and 165 of 2007 extended 911 funding into 2009. The new legislation expands the fee to include cell phone and other devices (including voice over Internet protocol users). The new legislation is intended to be revenue neutral by lowering the fee as it now applies to a broader range of devices/services. The Public Service Commission is now authorized to make annual adjustments to the fee. We encourage the board and management to consider the impact of this legislation on funding for the 911 system. DMAid currently has an outstanding obligation of \$2,938,000 on the 911 system. DMAid's legal counsel believes that DMAid will be able to continue assessing the 911 fee even if the Act sunsets. Discussion in Lansing will likely continue on the subject in 2008 given the short-term extension granted by the legislature.

Major Auditing Standards Changes

New rules will become effective for DMAid's audit next year. These new rules, which are known collectively as the new Risk Assessment Standards, significantly change the procedures auditors must perform in all financial statement audits. Under these new rules, auditors will be required to:

- More thoroughly examine and evaluate accounting processes and controls, including the overall control environment, key controls over significant transactions, and the quality of internal oversight of the financial reporting process
- More thoroughly assess and document conditions in systems and processes that create risks of material misstatement in their financial statements, and perform additional testing in response to these risks
- Design and perform more analytical tests of accounting and financial data
- Apply more stringent standards in identifying, assessing, and communicating internal control deficiencies
- Communicate more information about the results of the auditor's work to individuals involved in overseeing strategic direction and accountability for operations

As a practical effect of these new rules, we will need to make more detailed and specific requests for information from DMAid, particularly about processes and controls. We are already working with DMAid to implement these upcoming changes. These changes are a result of the major corporate scandals that have happened and are designed to strengthen the confidence of users of audited financial statements.

Thank you for the opportunity to serve Downriver Mutual Aid. We would like to extend our appreciation to your staff for the courtesy extended to us during the audit. Please contact us if you would like to discuss any of the matters mentioned above.

Very truly yours,

Plante & Moran, PLLC



Beth A. Bialy



Stacey L. Reeves